

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF APPROPRIATE)	ADMINISTRATIVE
GUIDELINES FOR FILING FORECASTED)	CASE NO. 331
TEST PERIODS)	

INTERIM ORDER

In late summer 1989, the Commission announced its intent to permit utilities to file rate cases using a forecasted test period. The Commission further advised that it would issue guidelines on implementing forecasted test years in rate-making proceedings. On October 31, 1989, the Commission issued draft guidelines in this administrative proceeding and requested comments from interested parties. Comments were filed by January 31, 1990. The utilities who filed comments were AT&T Communications, South Central Bell Telephone Company, Contel of Kentucky, Inc., GTE South Incorporated, Alltel Kentucky, Inc., Kentucky-American Water Company, Kenton County Water District, and Western Kentucky Gas Company; and joint comments were filed by Big Rivers Electric Corporation, East Kentucky Power Cooperative, Inc., Kentucky Association of Electric Cooperatives, Inc., Kentucky Utilities Company, Louisville Gas and Electric Company, The Union Light, Heat and Power Company, Columbia Gas of Kentucky, Inc., and Delta Natural Gas Company, Inc. Intervenors filing comments were the Attorney General's Office, Utility and Rate Intervention Division; Jefferson County Government; Kentucky Industrial Utility Customers, and Kentucky Legal Services Program.

In general the comments by the utilities favored the Commission's decision to permit a future test period. However, most of the utilities criticized the extensive amount of information required and objected to certain specific information. Moreover, the utilities in general wanted aspects of the historical period and period of forecast altered. Specifically, they urged the Commission to reduce the time required to analyze the filing, resulting in a closer matching of the forecast period to the time the rates will be in effect. The utilities also objected to the requirement in the draft guidelines that would prevent switching from a forecasted test year to a historical test year. Several utilities asked for clarification on matters not addressed by the Commission. Finally, several utilities expressed concern that since their budgets are prepared on a calendar basis, the Commission's requirement that budgets for the period of forecast must be filed would cause most utilities to file on a calendar year basis so they can utilize their existing budgets.

The intervenors who filed comments generally objected to the adoption of a future test year because, in their opinion, it favored the utilities and would significantly stretch the Commission's and intervenors' already limited resources.

The Commission has reviewed the comments from all parties with great interest. Because the Commission has little experience with forecasted test periods, it believes that rather than adopting final guidelines at this time, it is more prudent to gain experience using the draft guidelines. Therefore, the Commission has decided to delay the final determination in this docket until

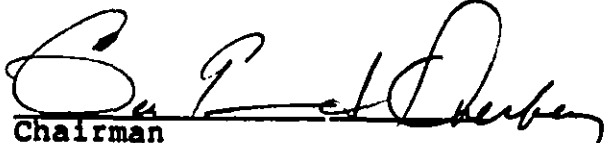
it has the opportunity to process one or more rate cases under the draft guidelines. To this end, the Commission will accept applications that utilize a forecasted test period based on the draft guidelines.

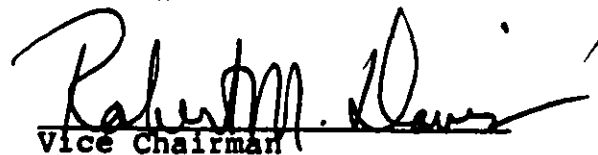
Any utility that elects to use a forecasted test period should file a formal motion to do so at least 60 days before its application is filed. If clarification of or deviation from the draft guidelines is sought, these requests should be included with the motion to file a forecasted test period.

IT IS THEREFORE ORDERED that the draft guidelines appended to the Commission's October 31, 1989 Order be and they hereby are approved on an interim basis for use by any utility that submits a timely motion to utilize a forecasted test period.

Done at Frankfort, Kentucky, this 27th day of April, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director